

Cashflow Solution

June 2024 review

Liontrust GF European Strategic Equity Fund



James Inglis-Jones

Co-head of Cashflow Solutions Team



Samantha Gleave

Co-head of Cashflow Solutions Team

The Fund's A4 share class returned 1.1%* in euro terms in June. The Fund's comparator benchmarks, the MSCI Europe Index and HFRX Equity Hedge EUR Index, returned -1.0% and 1.1% respectively.

The European Central Bank became the second major central bank to cut interest rates in June, lowering its deposit rate from an all-time high of 4% to 3.75%, moving before both the US Federal Reserve and the Bank of England. While the move was widely expected, stickier-than-expected services inflation meant that the ECB was keen to point out that the path to any further rate cuts is heavily data dependent.

Elsewhere, the result of the European parliamentary elections caused French president Macron to announce a surprise election in France – this caused the French market to fall sharply at the halfway stage of the month, hampering the wider European market's returns. Sector returns for the MSCI Europe Index were largely negative in June with the exception of information technology (+8.4%) and healthcare (+3.0%). The real estate (-5.0%), industrials (-3.4%), materials (-2.9%) and financials (-2.8%) sectors were the largest fallers for the period.

The Fund generated strong absolute performance in June, despite starting the month with a c.79% net market exposure in the face of a falling market. This outperformance was driven by an excellent showing from the short book. The short book accounts for around c.32% of Fund NAV but made an outsized positive contribution of 2.2% during the month, as its positions were among the stocks hit the very hardest by the market sell-off.

Top contributors from the portfolio's long book included **Adobe**, after the company projected strong future sales for its suite of creative products, suggesting customers are adopting the company's new artificial intelligence-based tools. In addition, the software specialist raised its fiscal-year profit forecast to as much as \$18.20 per share, excluding some items, compared with a previous outlook of \$18 per share.

Novo Nordisk continued its strong performance this year, rising after announcing that it is investing \$4.1 billion to expand its US manufacturing and boost production of its blockbuster weight-loss drugs to meet surging

demand. The Danish pharmaceutical group commented that the project will double the company's production footprint in the US, with the extra capacity coming online between 2027 and 2029.

ASML, a specialist in the development and manufacturing of photolithography machines which are used in the production of semiconductor chips, was among the notable performers in June. Shares in the company rose following reports that this year's sales could be boosted by a shipment of its latest chipmaking machine to Taiwan Semiconductor Manufacturing Company (TSMC).

Notable contributors in the short book included a Norway-based hydrogen company which fell consistently over the month, and a French pharmaceutical supplier which dropped following the news it has engaged a third-party mediator to handle financing discussions with creditors as it struggles to serve a growing pile of debt.

Ipsos (-12%), the French market research and consulting firm, and automaker **Renault** (11%) were among the detractors in the long book after being caught up in the market wide sell off in France as the index tumbled as the prospect of a far-right government and leftwing opposition rattled European financial markets.

Discrete years' performance (%) to previous quarter-end**:

	Jun-24	Jun-23	Jun-22	Jun-21	Jun-20
Liontrust GF European Strategic Equity A4 Acc EUR	14.7%	3.1%	31.7%	36.9%	-15.5%
MSCI Europe	13.7%	16.7%	-6.5%	27.9%	-5.5%
HFRX Equity Hedge EUR	6.8%	0.6%	2.0%	6.6%	0.3%

	Jun-19	Jun-18	Jun-17	Jun-16	Jun-15
Liontrust GF European Strategic Equity A4 Acc EUR	2.5%	3.0%	5.3%	2.9%	10.1%
MSCI Europe	4.5%	2.8%	18.0%	-11.0%	13.5%
HFRX Equity Hedge EUR	-6.3%	3.5%	6.0%	-9.4%	1.9%

*Source: Financial Express, as at 30.06.24, total return (income reinvested and net of fees).

**Source: Financial Express, as at 30.06.24, total return (income reinvested and net of fees). Discrete data is not available for ten full 12-month periods due to the launch date of the portfolio (25.04.14). Investment decisions should not be based on short-term performance.

For a comprehensive list of common financial words and terms, see our glossary at: <https://www.liontrust.co.uk/benefits-of-investing/guide-financial-words-terms>

Key Features of the Liontrust GF European Strategic Equity Companies Fund

Investment objective & policy ¹	<p>The investment objective of the Fund is to achieve a positive absolute return over the long term for investors through a portfolio of long, synthetic long and synthetic short investments primarily in European equities and equity related derivatives. The Fund may invest anywhere in the world but will primarily invest in European companies either directly or via derivatives. The Fund may use financial derivative instruments for investment purposes and for efficient portfolio management (including hedging). The Fund will take both long and short positions in derivatives meaning the gross exposure of the Fund will typically be greater than 100% of the net asset value of the Fund.</p> <p>The Investment Adviser will alter the ratio of long and short exposures in the Fund depending on the Investment Adviser's confidence in the investment process' ability to generate returns from the short positions. Where sufficient short opportunities can be found, the Fund will have an approximately equal weighting in long and short positions. At other times, the Fund will have a net long position i.e. more long positions than short positions held in the Fund. Where investments are held in a currency other than the base currency, the exposure to currency risk may be minimised by hedging. The Fund expects to provide a positive absolute return under all market conditions over the medium to long term. However, there is no guarantee this will be achieved over this or any other time period. Income from the Fund's investments is reinvested. The Fund has both Hedged and Unhedged share classes available. The Hedged share classes use forward foreign exchange contracts to protect returns in the base currency of the Fund.</p>
Recommended investment horizon	5 years or more
Risk profile (SRRRI) ²	4
Active/passive investment style	Active
Benchmark	<p>The Fund is considered to be actively managed in reference to MSCI Europe Index and the HFRX Equity Hedge (EUR) Index (the "Benchmarks") by virtue of the fact that it uses the Benchmarks for performance comparison purposes. The Benchmarks are not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the Benchmarks.</p>

Notes: 1. As specified in the PRIIP KID of the fund; 2. SRI = Summary Risk Indicator. Please refer to the PRIIP KID for further detail on how this is calculated.

Key Risks

Past performance does not predict future returns. You may get back less than you originally invested. We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments.

Overseas investments may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of the Fund.

This Fund may have a concentrated portfolio, i.e. hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.

As the Fund is primarily exposed to smaller companies there may be liquidity constraints from time to time, i.e. in certain circumstances, the fund may not be able to sell a position for full value or at all in the short term. This may affect performance and could cause the fund to defer or suspend redemptions of its shares. In addition the spread between the price you buy and sell units will reflect the less liquid nature of the underlying holdings.

Outside of normal conditions, the Fund may hold higher levels of cash which may be deposited with several credit counterparties (e.g. international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.

Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

The issue of units/shares in Liontrust Funds may be subject to an initial charge, which will have an impact on the realisable value of the investment, particularly in the short term. Investments should always be considered as long term.

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